

Making Kentucky **STRONGER BY DEGREES**



**Presentation to the Kentucky Council on Postsecondary Education
By Bill Payne, Scott Boelscher, Sherron Jackson, and Shaun McKiernan
November 7, 2013**

Council on Postsecondary Education 2014-16 Budget Recommendation

- I. Institutional Operating Funds
- II. Strategic Investment and Incentive Trust Funds
- III. Capital Investments and Information Technology
- IV. CPE Agency Budget

I. Institutional Operating Funds

Institutional Operating Funds

Funding Components

- 1) College and Career Readiness
- 2) Research and Economic Development
- 3) Performance Funding (Degree Production)
- 4) Land Grant Mission Funds
- 5) Kentucky Adult Learner Initiative

College and Career Readiness

Program Features

- A request for College Readiness funding was included in the Council's 2012-14 budget recommendation
- Designed to increase college preparation levels of Kentucky students entering postsecondary education
- For 2014-16, CPE staff recommends a \$19.2 million request each year of the biennium
- These funds will be distributed based on numbers of:
 - middle and high schools in each institution's service region;
 - K-12 teachers produced; and
 - developmental education students served.

College and Career Readiness

Uses of Program Funds

- Program funds will be used to:
 - Design and implement Clinical Model of teacher preparation at Kentucky's public universities
 - Improve diagnostic assessment and placement testing at Kentucky middle and high schools
 - Support creation of transitional courses and summer bridge programs to address academic deficiencies
 - Create a new model of developmental education that places students in credit bearing courses with academic support
 - Provide professional development to improve instruction and support student learning

Research and Economic Development

Program Features

- New initiative developed by CPE staff and campus CAOs, CBOs, and VPs of Research
- The program is designed to:
 - Create “Clusters of Excellence” that benefit Kentucky
 - Encourage collaborative research between UK and UofL
 - Increase university partnerships with business and industry
 - Create high wage jobs in public and private sectors
- CPE staff recommends a \$12.0 million request each year of biennium
- Funds used to make targeted cluster hires in research focus areas that address important state needs

Performance Funding (Degree Production)

Program Features

- New approach developed by CPE and campus officials
- Provides incentives for institutions to increase the number of high quality degrees they award
- CPE staff recommends requests of \$18.0 million in fiscal 2015 and \$36.0 million in fiscal 2016 (half to CPE)
- Distributed based on each institution's share of total degrees produced (3-year rolling average)
- Weighted by degree level, with premiums for STEM+H, low-income, and underrepresented student degrees, and adjusted for cost of instruction

Land Grant Mission Funds

Program Features

- New initiative that maintains service levels & academic programs at UK and KSU land grant programs
- CPE staff recommends requests of \$1.4 million in fiscal 2015 and \$2.8 million in fiscal 2016
- Distributed based on the relative size of each institution's land grant program
- These funds will help:
 - Sustain the effectiveness and impact of outreach, service, and applied research at Kentucky's land grant programs
 - Support science based education in agriculture, natural resources, foods & nutrition, and community development

Kentucky Adult Learner Initiative

Program Features

- New program developed by CPE staff, working with campus CAOs and CBOs
- Outgrowth of the Adult Learner Degree Attainment Initiative (HB 265, 2012)
- Designed to increase college attainment of Kentucky's adult population through online learning opportunities
- CPE staff recommends a \$2.4 million request each year of the biennium (in CPE agency budget):
 - Distributed based on level of participation in the initiative
 - Uses of funds may include infrastructure, coordination and administration, and student aid

Institutional Operating Funds

Recommended Funding Levels (in Millions)

Funding Category	Fiscal Year 2014-15	Fiscal Year 2015-16
College and Career Readiness	\$19.2	\$19.2
Research & Economic Development	12.0	12.0
Performance Funding (Degree Production)	18.0	36.0 ^(a)
Land Grant Mission Funds	1.4	2.8
Kentucky Adult Learner Initiative	2.4 ^(b)	2.4 ^(b)
Operating Request Totals	\$53.0	\$72.4
% Increase on FY14 Base (\$916.0 M)	5.8%	7.9%

(a) Of the \$36.0 million total request for Degree Production in 2015-16, \$18.0 million will be requested as part of CPE's agency budget, pending distribution to the postsecondary institutions when 2013-14 degree numbers are known.

(b) The \$2.4 million each year of the biennium for an Adult Learner Initiative will be requested as part of CPE's agency budget, pending distribution to the postsecondary institutions when campus participation levels are known.

II. Strategic Investment and Incentive Trust Funds

Strategic Investment Trust Funds

Funding Components

- 1) Bucks for Brains
- 2) Workforce Development Match Program

Bucks for Brains

Program Features

- There have been four rounds of funding for this program since 1998 (total of \$410 million)
- The program matches state dollars with private gifts to encourage higher education research activities
- Typically, state and private funds are endowed which provides a perpetual source of funding for research
- In 2008-10, institutions were given option to endow program funds or expend for capital construction
- CPE staff recommends a \$90.0 million request for this program in 2014-16.

Bucks for Brains

Uses of Program Funds

- Program funds will be used to:
 - Create endowed chairs and professorships
 - Hire researchers and support staff
 - Establish endowed scholarship and fellowship programs
 - Construct new research facilities and upgrade equipment
- The Bucks for Brains program is designed to:
 - Increase private giving
 - Grow university endowments
 - Increase endowed chairs and professorships
 - Generate externally sponsored research

Workforce Development Match Program

Program Features

- New program developed by CPE staff & KCTCS officials
- Matches state dollars with private gifts to support KCTCS workforce education and training programs
- All funds, both state and private, will be endowed which provides a perpetual source of funding
- CPE staff recommends a \$5.0 million request for this program in 2014-16
- Strengthens programs in targeted focus areas to meet critical employment needs in Kentucky

Strategic Investment Trust Funds

Recommended Funding Levels (in Millions)

Funding Category/Institution	Requested Bond Funds	Fiscal Year 2015-16 Debt Service
Bucks for Brains		
University of Kentucky	\$50.0	\$4.7
University of Louisville	25.0	2.3
Comprehensive Universities	15.0	1.4
Workforce Development Match		
KCTCS	5.0	.5
Trust Fund Total	\$95.0	\$8.9

Note: It is anticipated that \$90.0 million in nonrecurring funds requested for Bucks for Brains and \$5.0 million in nonrecurring funds requested for the Workforce Development Match Program will be appropriated to CPE prior to being distributed to the postsecondary institutions in accordance with Council approved guidelines.

III. Capital Investments and Information Technology

Capital and Technology Investments

Blended Approach:

- Directs 53% of funds to Asset Preservation
- Directs 47% of funds to New and Expanded Space
- Provides pool for Information Technology initiatives
- Allows Institutionally Funded Capital Investments

Note: Council staff recommends \$318 million for asset preservation and renovation (53% of \$600.0 M) and \$282 million for new and expanded space (47% of \$600.0 M). A pool of \$60.0 million in additional funds are recommended for information technology, with \$1.2 million of that amount dedicated for a Kentucky Adult Learner Initiative.

Capital and Technology Investments

Request Features

- \$600 million total request (for 2014-16)
- Part of multi-biennia approach
- Debt requested in 2nd year
- Allocated based on each institution's share of:
 - Base allocation per Institution \$15 M
 - VFA Study Assessed Need 55%
 - FTE Students 26%
 - Total Public Funds 12%
 - Research Dollars Generated 7%
- Uses of funds restricted to capital projects
- Same approach recommended in 2012-14

Capital and Technology Investments

New Balanced Capital Strategy

- Multi-biennia funding approach
- Stronger protection of state owned assets
- Balanced investment as recommended by VFA study
- Data driven process for distributing funds
- More flexibility to implement capital projects
- The process is transparent and supports accountability
- Allows for better capital planning on campuses
- Takes advantage of low interest rates: \$600.0 M in capital for less than \$56.0 M in annual debt service

Capital Investments and Information Technology

Recommended Funding Levels (In Millions)

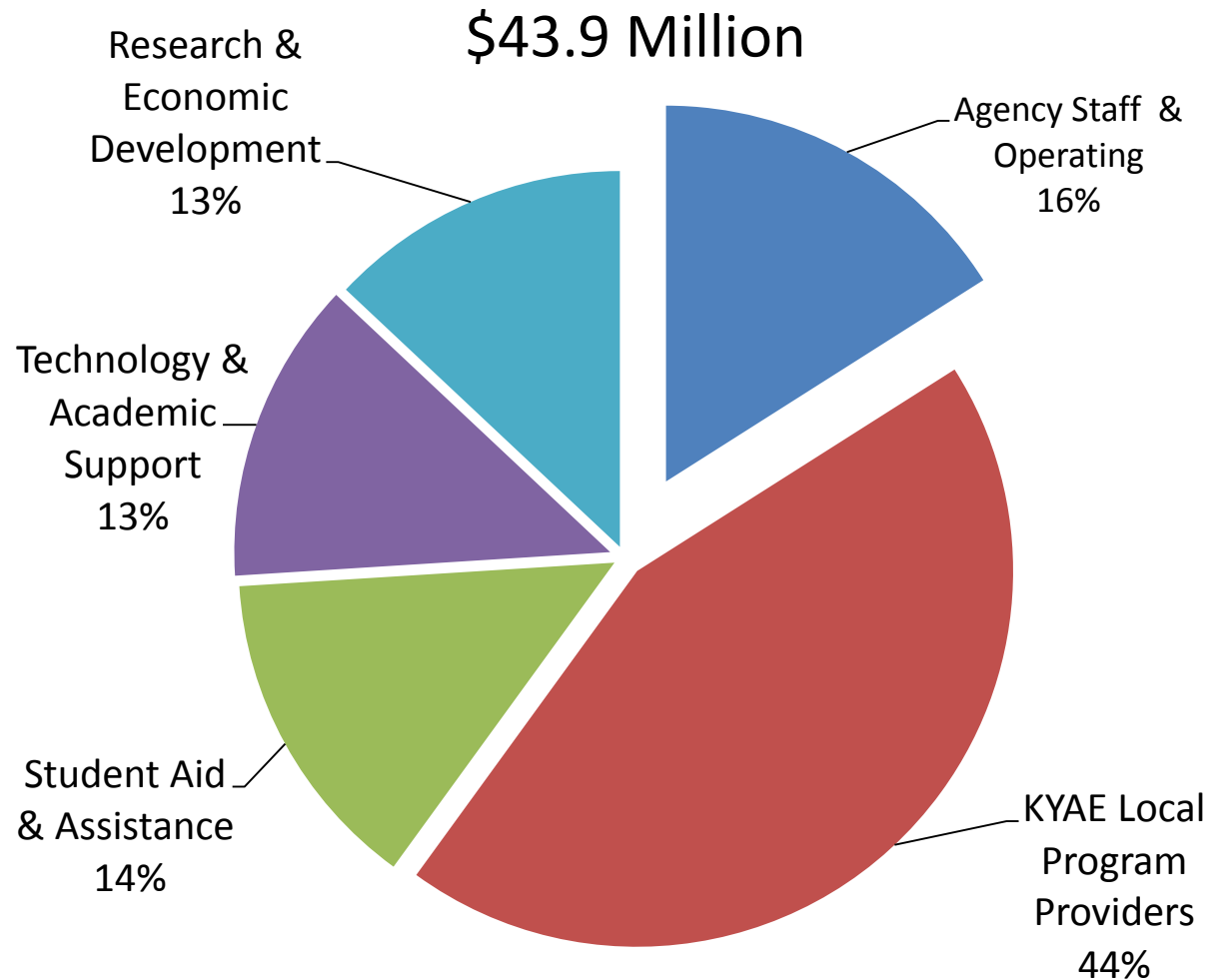
Funding Category	Requested Bond Funds	Fiscal Year 2015-16 Debt Service
Asset Preservation	\$318.0	\$29.6
New and Expanded Space	282.0	26.3
Information Technology Pool	60.0	8.3
Bond Fund/Debt Service Totals	\$660.0	\$64.2

- Agency Bond Authority – Staff recommends that the Council support and endorse agency bond funded projects at the postsecondary institutions.
- Institutionally Funded Projects – Staff recommends authorization for \$3.5 billion in institutionally funded projects.

VI. CPE Agency Budget

CPE Agency Budget

2013-14 General Fund Base



CPE Agency Budget

General Fund Increases

CPE staff recommends base funding plus inflationary increases of 2% and 4% for most areas of the agency budget

Exceptions include:

- Agency Staff and Operating Costs – Funds requested to cover mandated increases (e.g. state retirement system, COLAs)
- Kentucky Adult Education – 5.5% and 7.5% increases for this program, which is a direct provider of adult education in every county in Kentucky
- Student Aid and Assistance – Additional funds allow for tuition increases for current Contract Spaces and two additional SREB Doctoral Scholars (for a total of five)
- Technology and Academic Support – Staff recommends inflationary increases for statewide technology and academic support services and further asks that the Council endorse continuation funding for Teacher Quality Initiatives (SB 1)

CPE Agency Budget

Pass-Through Programs and Trust Funds

The CPE Agency Budget also includes a request for General Fund appropriations for the following:

- Second-year funding (\$18.0 M) for postsecondary institution Performance Funding
- Start-up funding (\$2.4 M in each year) for the Kentucky Adult Learner Initiative
- Debt Service to support \$660.0 M in Capital and Information Technology projects and \$95.0 M in Strategic Trust Funds

CPE Agency Budget

Recommended Funding Levels (in Thousands)

Funding Category	Fiscal Year 2014-15	Fiscal Year 2015-16
Agency Staff and Operating Costs	\$451.9	\$859.9
KYAE Local Program Providers	1,114.3	1,466.1
Student Aid and Assistance	305.3	590.3
Technology and Academic Support	85.8	171.6
Research & Economic Development	114.4	228.7
Agency Request Totals	\$2,071.7	\$3,316.6
% Increase on FY14 Base (\$43.9 M)	4.7%	7.6%

CPE Agency Budget (Cont'd)

Recommended Bond Fund/Debt Service Levels (in Millions)

Funding Category	Requested Bond Funds	Fiscal Year 2015-16 Debt Service
Capital Investments	\$600.0	\$55.9
Information Technology	60.0	8.3
Bucks for Brains	90.0	8.4
Workforce Development Match	5.0	.5
Bond Fund/Debt Service Totals	\$755.0	\$73.1

Making Kentucky **STRONGER BY DEGREES**



**Presentation to the Kentucky Council on Postsecondary Education
By Bill Payne, Scott Boelscher, Sherron Jackson, and Shaun McKiernan
November 7, 2013**